



**Reliance**

**RELIANCE SURETY COMPANY**  
Philadelphia, Pennsylvania

**RELIANCE INSURANCE COMPANY**  
Philadelphia, Pennsylvania

**UNION PACIFIC INSURANCE COMPANY**  
Philadelphia, Pennsylvania

**RELIANCE NATIONAL INDEMNITY COMPANY**  
Philadelphia, Pennsylvania

**CANCELLATION NOTICE**

*m/015/062*

TO: Obligor/  
Address: UTAH DEPARTMENT OF NATURAL RESOURCES  
Division of Oil, Gas & Mining  
355 West North Temple  
Salt Lake City, UT 84180-1203

RE: Principal/  
Address: EAST CARBON CONSTRUCTORS, INC.  
P.O. Box 880  
East Carbon, UT 84520

Bond No.: \_\_\_\_\_

Bond Type: Reclamation Bond

Effective Date: 2-4-93

You are hereby notified the captioned bond is cancelled in accordance with the cancellation provisions contained therein or in applicable laws or regulations. This Notice is mailed to you on

10-27-94

and is to be effective on or about

2-4-95

or if such effective date does not provide for a sufficient number of days notice, as required, then upon the earliest date permitted. The issuance of this Cancellation Notice shall not, however, extend the effective date of cancellation if such bond has been cancelled upon an earlier date under the provisions of said bond.

RELIANCE INSURANCE COMPANY shall not be responsible thereunder for any acts or defaults committed or loss occurring after the effective date of cancellation, nor for any losses not discovered in accordance with the provisions of such bond.

BY: Surety: RELIANCE INSURANCE COMPANY

*Carol M. Crosswhite*  
Carol M. Crosswhite

*Carol M. Crosswhite*  
Attorney-in-Fact

**CANCELLATION ACKNOWLEDGMENT (Please sign duplicate of this Notice and return to Surety)**

By: \_\_\_\_\_

Date: 3/7/95



File Number M/015/062

Effective Date 6/30/93

*Original returned to  
Pagano Estate  
6/95*

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION of OIL, GAS and MINING  
355 West North Temple  
3 Triad Center, Suite 350  
Salt Lake City, Utah 84180-1203  
(801) 538-5340

RECEIVED

APR 15 1995

DIVISION OF  
OIL GAS & MINING

RECLAMATION CONTRACT

---ooOoo---

*This Contract  
& Surety  
Cancelled -  
Replaced 3/8/95*

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.)	<u>M/015/062</u>
(Mineral Mined)	<u>Clay</u>
"MINE LOCATION":	
(Name of Mine)	<u>Pagano Clay Project</u>
(Description)	<u>8 Miles S.W. of Wellington</u>
	<u>Emery County</u>
"DISTURBED AREA":	
(Disturbed Acres)	<u>17 Acres</u>
(Legal Description)	<u>(refer to Attachment "A")</u>
"OPERATOR":	
(Company or Name)	<u>Jay Pagano Estate</u>
(Address)	<u>P. O. Box 136</u>
	<u>Wellington, Utah 84501</u>
(Phone)	<u>(801) 637-2806</u>

**"OPERATOR'S REGISTERED AGENT":**

(Name)  
(Address)

Harold R. Marston  
P. O. Box 136  
Wellington, Utah 84501

(Phone)

(801) 637-2806

**"OPERATOR'S OFFICER(S)":**

N/A

**"SURETY":**

(Form of Surety - Exhibit B)

Surety Bond

**"SURETY COMPANY":**

(Name, Policy or Acct. No.)

Reliance Insurance Company

#1000000

**"SURETY AMOUNT":**

(Escalated Dollars)

\$3,700.00

**"ESCALATION YEAR":**

1996 Dollars

**"STATE":**

State of Utah

**"DIVISION":**

Division of Oil, Gas and Mining

**"BOARD":**

Board of Oil, Gas and Mining

**EXHIBITS:**

Revision Dates:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Jay Pagano Estate the "Operator" and the Utah State Board of Oil, Gas and Mining ("Board").

WHEREAS, Operator desires to reclaim mining operations under Notice of Intention (NOI) File No. M/015/062 which has been approved by the Utah State Division of Oil, Gas and Mining "Division" under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Board, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Board and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the Notice of Intention, and the Reclamation Plan. The Notice of Intention as amended, and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Board. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Exhibit B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Board in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Board. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division

makes such certification, Operator may make request to the (Board) that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The (Board) shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Board to substitute surety. The Board, in its sole judgment and discretion, may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Division, or Board, as appropriate, may revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.

14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

Harold R. Marston  
Authorized Officer (Typed or Printed)

Harold R. Marston  
Authorized Officer's Signature

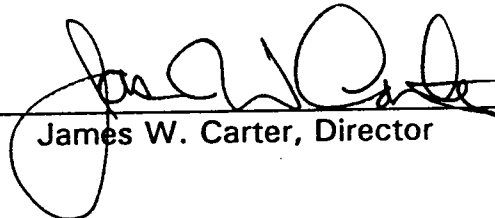
4-5-93  
Date

SO AGREED this 23<sup>rd</sup> day of June, 19 93.

AND APPROVED AS TO FORM AND AMOUNT OF SURETY:

BY Dave D. Lauriski  
Dave D. Lauriski, Chairman  
Utah State Board of Oil, Gas and Mining

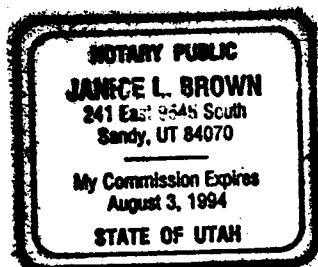
DIVISION OF OIL, GAS AND MINING:

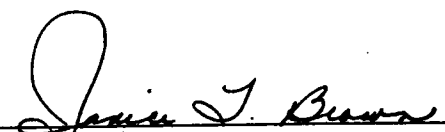
By   
James W. Carter, Director

6/30/93  
Date

STATE OF Utah )  
 ) ss:  
COUNTY OF Salt Lake )

On the 30<sup>th</sup> day of June, 19 93, personally  
appeared before me, who being duly sworn did say that he/she, the said  
JAMES W. CARTER is the Director of the Division of  
Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he/she  
duly acknowledged to me that he/she executed the foregoing document by  
authority of law on behalf of the State of Utah.



  
Notary Public  
Residing at: Sandy, Utah

August 3, 1994  
My Commission Expires:

OPERATOR:

Jay Pagano Estate  
Operator Name

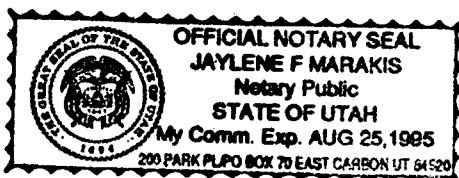
By Harold R. Marston  
Corporate Officer - Position

4-5-93  
Date

Harold R. Marston  
Signature

STATE OF Utah )  
COUNTY OF Carbon ) ss:

On the 5th day of April, 19 93, personally  
appeared before me Harold R. Marston who  
being by me duly sworn did say that he/she, the said Harold R. Marston  
is the Personal Representative of Jay Pagano Estate  
and duly acknowledged that said instrument was signed on behalf of said company  
by authority of its bylaws or a resolution of its board of directors and said  
Harold R. Marston duly acknowledged to me that said  
company executed the same.



Jaylene F. Marakis  
Notary Public  
Residing at: East Carbon, UT 84520

Aug. 25, 1995  
My Commission Expires:



SURETY:

Reliance Insurance Company  
Surety Company

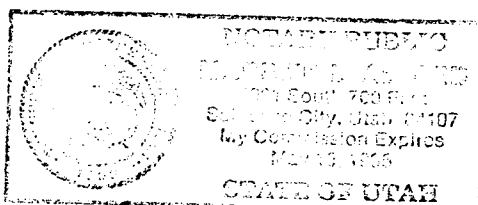
By Tina Davis, Attorney-In-Fact  
Company Officer - Position

4-5-93  
Date

Tina Davis  
Signature

STATE OF Utah )  
COUNTY OF Salt Lake ) ss:

On the 5<sup>th</sup> day of April, 19 93, personally  
appeared before me Tina Davis who  
being by me duly sworn did say that he/she, the said Tina Davis  
is the Attorney-In-Fact of Reliance Insurance Company  
and duly acknowledged that said instrument was signed on behalf of said company  
by authority of its bylaws or a resolution of its board of directors and said  
Tina Davis duly acknowledged to me that said  
company executed the same.



Marilyn L. Allred  
Notary Public  
Residing at: Salt Lake City, UT

5-15-95  
My Commission Expires:

NOTE: An affidavit of Qualification must be completed and attached to this form for each authorized agent or officer. Where one signs by virtue of Power of Attorney for a company, such Power of Attorney must be filed with this Contract.

ATTACHMENT "A"

Jay Pagano Estate  
Operator

Pagano Clay Project  
Mine Name

M/015/062  
Permit Number

Emery County, Utah

**The legal description of lands to be disturbed is:**

NE 1/4, NW 1/4, Section 1, Township 16 South, Range 11 East

NW 1/4, NE 1/4, Section 1, Township 16 South, Range 11 East

and

SE 1/4, Section 36, Township 15 South, Range 11 East

EXHIBIT B

MR FORM 5

October 1992

Bond Number                       
Permit Number M/015/062  
Mine Name Pagano Clay Project

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
Division of Oil, Gas and Mining  
355 West North Temple  
3 Triad Center Suite 350  
Salt Lake City, Utah 84180-1203  
(801) 538-5340

THE MINED LAND RECLAMATION ACT

SURETY BOND

\*\*\*\*\*

The undersigned Jay Pagano Estate, as  
Principal, and Reliance Insurance Company, as  
Surety, hereby jointly and severally bind ourselves, our heirs, administrators, executors,  
successors, and assigns, jointly and severally, unto the State of Utah, Division of Oil,  
Gas and Mining (Division) in the penal sum of Three Thousand Seven Hundred and no/100  
dollars (\$ 3,700.00\*\*\*\*\*).

Principal has estimated in the Reclamation Plan approved by the Division on the  
8 day of June, 1993, that 17 acres of land  
have been disturbed by mining operation in the State of Utah.

A description of the disturbed land is attached hereto as "Attachment 1"

The condition of this obligation is that if the Division determines that Principal  
has satisfactorily reclaimed the disturbed lands in accordance with the approved  
Reclamation Plan and has faithfully performed all requirements of the Mined Land  
Reclamation Act, and complied with the Rules and Regulations adopted in accordance  
therewith, then this obligation shall be void; otherwise it shall remain in full force and  
effect.

If the Reclamation Plan provides for periodic partial reclamation of the disturbed  
lands, and if the lands are reclaimed in accordance with such Plan, Act and regulations,  
then Principal may apply for a reduction in the amount of this Surety Bond.

In the converse, if the Reclamation Plan provides for a gradual increase in the  
area disturbed or the extent of disturbance, then, the Division may require that the  
amount of this Surety Bond be increased, with the written approval of the Surety.

This bond may be canceled by Surety after ninety (90) days following receipt by the Division and Principal of written notice of such cancellation. Surety's liability shall then, at the expiration of said ninety (90) days, cease and terminate except that Surety will remain fully liable for all reclamation obligations of the Principal incurred prior to the date of termination.

Principal and Surety and their successors and assigns agree to guarantee said obligation and to indemnify, defend, and hold harmless the Division from any and all expenses (including attorney fees) which the Division may sustain in the collection of sums due hereunder.

Surety will give prompt notice to Principal and to the Division of the filing of any petition or the commencement of any proceeding relating to the bankruptcy, insolvency, reorganization, or adjustment of the debts of Surety, or alleging any violation or regulatory requirements which could result in suspension or revocation of the Surety's license to do business.

IN WITNESS WHEREOF, the Principal and Surety hereunto set their signatures and seals as of the dates set forth below.

Date 4-5-93

Jay Pagano Estate  
Principal (Permittee)

By (Name typed): Harold R. Marston

Title: Personal Representative

Signature: Harold R. Marston

Date 4-5-93

Reliance Insurance Company  
Surety

By (Name typed): Tina Davis

Title: Attorney-In-Fact

Signature: Tina Davis

Page 3  
MR-5  
Exhibit B

Bond Number ~~XXXXXX~~  
Permit Number M/015/062  
Mine Name Pagano Clay Project

SO AGREED this 23<sup>rd</sup> day of June, 19 93.

AND APPROVED AS TO FORM AND AMOUNT OF SURETY:



Dave D. Lauriski, Chairman  
Utah State Board of Oil, Gas and Mining

\*NOTE: Where one signs by virtue of Power of Attorney for a Surety, such Power of Attorney must be filed with this bond. If the Operator is a corporation, the bond shall be executed by its duly authorized officer.



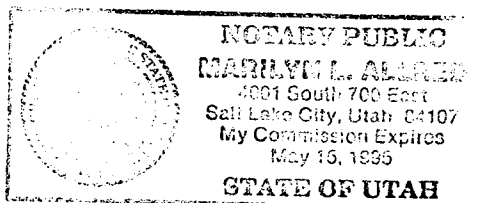
## AFFIDAVIT OF QUALIFICATION

Tina Davis, being first duly sworn, on oath deposes and says that he/she is the (officer or agent) Agent (Attorney-In-Fact) of said Surety, and that he/she is duly authorized to execute and deliver the foregoing obligations; that said Surety is authorized to execute the same and has complied in all respects with the laws of Utah in reference to becoming sole surety upon bonds, undertaking and obligations.

Signed: Tina Davis  
Surety Officer

Title: Attorney-In-Fact

Subscribed and sworn to before me this 5th day of April, 1993.



Marilyn L. Allred  
Notary Public  
Residing at: Salt Lake City, UT

My Commission Expires:

5-15, 1995

**"ATTACHMENT 1"**

Jay Pagano Estate  
Operator

Pagano Clay Project  
Mine Name

M/015/062  
Permit Number

Emery County, Utah

**The legal description of lands to be disturbed is:**

NE 1/4, NW 1/4, Section 1, Township 16 South, Range 11 East

NW 1/4, NE 1/4, Section 1, Township 16 South, Range 11 East

and

SE 1/4, Section 36, Township 15 South, Range 11 East

# RELIANCE INSURANCE COMPANY

HEAD OFFICE, PHILADELPHIA, PENNSYLVANIA

## POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, That the RELIANCE INSURANCE COMPANY, a corporation duly organized under the laws of the State of Pennsylvania, does hereby make, constitute and appoint

TINA DAVIS of SALT LAKE CITY, UTAH-----

its true and lawful Attorney-in-Fact, to make, execute, seal and deliver for and on its behalf, and as its act and deed

ANY AND ALL BONDS AND UNDERTAKINGS OF SURETYSHIP-----

and to bind the RELIANCE INSURANCE COMPANY thereby as fully and to the same extent as if such bonds and undertakings and other writings obligatory in the nature thereof were signed by an Executive Officer of the RELIANCE INSURANCE COMPANY and sealed and attested by one other of such officers, and hereby ratifies and confirms all that its said Attorney(s)-in-Fact may do in pursuance hereof.

This Power of Attorney is granted under and by authority of Article VII of the By-Laws of RELIANCE INSURANCE COMPANY which became effective September 7, 1978, which provisions are now in full force and effect, reading as follows:

### ARTICLE VII — EXECUTION OF BONDS AND UNDERTAKINGS

1. The Board of Directors, the President, the Chairman of the Board, any Senior Vice President, any Vice President or Assistant Vice President or other officer designated by the Board of Directors shall have power and authority to (a) appoint Attorneys-in-Fact and to authorize them to execute on behalf of the Company, bonds and undertakings, recognizances, contracts of indemnity and other writings obligatory in the nature thereof, and (b) to remove any such Attorney-in-Fact at any time and revoke the power and authority given to him.

2. Attorneys-in-Fact shall have power and authority, subject to the terms and limitations of the power of attorney issued to them, to execute and deliver on behalf of the Company, bonds and undertakings, recognizances, contracts of indemnity and other writings obligatory in the nature thereof. The corporate seal is not necessary for the validity of any bonds and undertakings, recognizances, contracts of indemnity and other writings obligatory in the nature thereof.

3. Attorneys-in-Fact shall have power and authority to execute affidavits required to be attached to bonds, recognizances, contracts of indemnity or other conditional or obligatory undertakings and they shall also have power and authority to certify the financial statement of the Company and to copies of the By-Laws of the Company or any article or section thereof.

This power of attorney is signed and sealed by facsimile under and by authority of the following Resolution adopted by the Board of Directors of RELIANCE INSURANCE COMPANY at a meeting held on the 5th day of June, 1979, at which a quorum was present, and said Resolution has not been amended or repealed:

"Resolved, that the signatures of such directors and officers and the seal of the Company may be affixed to any such power of attorney or any certificate relating thereto by facsimile, and any such power of attorney or certificate bearing such facsimile signatures or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by facsimile signatures and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached."

IN WITNESS WHEREOF, the RELIANCE INSURANCE COMPANY has caused these presents to be signed by its Vice President, and its corporate seal to be hereto affixed, this 29 day of April 1992.

RELIANCE INSURANCE COMPANY



*Lawrence W. Carlstrom*  
Vice President

STATE OF Washington  
COUNTY OF King

} ss.

On this 29 day of April, 1992 personally appeared Lawrence W. Carlstrom

to me known to be the Vice-President of the RELIANCE INSURANCE COMPANY, and acknowledged that he executed and attested the foregoing instrument and affixed the seal of said corporation thereto, and that Article VII, Section 1, 2, and 3 of the By-Laws of said Company and the Resolution, set forth therein, are still in full force.

My Commission Expires:

March 5, 1996



*Kimberly Greenwood*  
Notary Public in and for State of Washington

Residing at Puyallup

I, Marjorie S. Hansen, Assistant Secretary of the RELIANCE INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney executed by said RELIANCE INSURANCE COMPANY, which is still in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said Company this 5TH day of APRIL 1993.



Assistant Secretary

*Marjorie S. Hansen*  
Marjorie S. Hansen